

TOWNSHIP OF ELMIRA
OTSEGO COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

AUDITING PROCEDURES REPORT

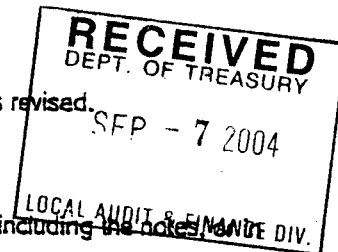
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Elmira Township	County Otsego
Audit Date 3/31/04	Opinion Date 7/28/04	Date Accountant Report Submitted to State: 9/2/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes to the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Keskine, Cook, Miller, Smith & Alexander LLP			
Street Address 100 West First Street	City Gaylord	State MI	ZIP 49735
Accountant Signature <i>Rachel Frisch</i>			

TOWNSHIP OFFICIALS

SUPERVISOR

RALPH ROBARGE

CLERK

SUE SCHAEDIG

TREASURE

DIANE PURGIEL

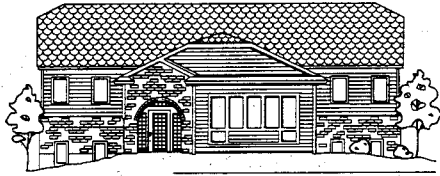
TRUSTEES

LEONARD SKOP

THERESA PLACHTA

ELMIRA TOWNSHIP
TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-2
Management's Discussion and Analysis	3-5
FINANCIAL STATEMENTS	
<u>Government-Wide Financial Statements</u>	
Statement of Net Assets	6
Statement of Activities	7
<u>Fund Financial Statements</u>	
<u>Governmental Funds</u>	
Balance Sheet	8
Reconciliation of the Balance Sheet to the Statement of Net Assets	9
Statement of Revenues, Expenditures and Changes in Fund Balance	10
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balance to the Statement of Activities	11
<u>Fiduciary Funds</u>	
Statement of Fiduciary Net Assets	12
Statement of Changes in Fiduciary Net Assets	13
NOTES TO FINANCIAL STATEMENTS	14-22
REQUIRED SUPPLEMENTAL INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	23-25



kine, Cook, Miller, Smith & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

July 28, 2004

To the Township Board
Elmira Township
Otsego County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund and remaining fund information of the Township of Elmira, as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the major fund and remaining fund information of the Township of Elmira as of March 31, 2004, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 31, 2004.

The management's discussion and analysis on pages 3-5 and budgetary comparison information on pages 23-25 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

KK Cook Miller Smith, Alexander LLP
KESKINE, COOK, MILLER, SMITH & ALEXANDER, LLP

**TOWNSHIP OF ELMIRA
MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED MARCH 31, 2004**

This section of Elmira Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2004. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial position remained stable over the last year. Assets at March 31, 2004 totaled approximately \$450,000, of which approximately \$175,000 represents capital assets net of depreciation.

Revenues derived from governmental activities were approximately \$238,000 (\$8,000 from program revenues and \$230,000 from general revenues). Overall expenses for the Township's governmental activities approximated \$241,000.

The Township incurred no new debt instruments during the year and has no outstanding debt carried forward from prior years. The Township purchased approximately \$5,800 in capital assets. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present an overview of the government broken down by the services it provides.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the Township, you may also have to consider additional factors such as tax base changes, economic conditions, and personnel changes.

Most of the activities of the Township are reported as governmental activities. These would include the operations recorded in the General and Liquor Law Enforcement Funds.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

Fiduciary Funds: The Township is a trustee or fiduciary for assets that belong to others. The Township maintains these funds and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's net assets decreased approximately \$3,000 during the year to total \$447,540.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE (CONTINUED)

The decrease in net assets is due largely to the continued decrease in state shared revenues, coupled with depreciation expense being recorded on capital assets.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund – This fund is used to record all activities of the Township not required to be recorded in a separate fund. The major source of revenue for the general fund is from the Township tax base, and revenue sharing from the State of Michigan. The major expenses for this fiscal year include the general operating activities of the Township, fire protection services, and road repair and maintenance.

Liquor Law Enforcement Fund – This fund is used to account for the state shared revenues received for liquor law enforcement and the related expenditures.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets:

Additions to Township assets for this year include aerial maps, computer equipment, and copy machines.

Long Term Debt:


The Township has no outstanding long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

None.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact Mr. Ralph Robarge, Supervisor, at 2035 Mt. Jack Road, Elmira, MI 49730.


Mr. Ralph Robarge, Township Supervisor

**TOWNSHIP OF ELMIRA
STATEMENT OF NET ASSETS
MARCH 31, 2004**

ASSETS

Current Assets:

Cash	\$ 73,758
Investments	186,411
Delinquent Taxes Receivable from County	8,878
Due from Tax Collection Fund	5,510
Total Current Assets	<u>274,557</u>

Non-Current Assets:

Capital Assets	265,353
Accumulated Depreciation	(88,896)
Total Non-Current Assets	<u>176,457</u>
Total Assets	<u>451,014</u>

LIABILITIES

Current Liabilities:

Due to Other Governments	<u>3,474</u>
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NET ASSETS

Invested in Capital Assets	176,457
Net Assets, Unrestricted	271,083
Total Net Assets	<u>\$ 447,540</u>

See accompanying notes to financial statements.

**TOWNSHIP OF ELMIRA
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2004**

	<u>P R O G R A M R E V E N U E S</u>				<u>NET REVENUE/ (EXPENSE) & CHANGE IN NET ASSETS</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS & CONTRI- BUTIONS</u>	<u>CAPITAL GRANTS & CONTRI- BUTIONS</u>	
GOVERNMENTAL ACTIVITIES					
Township Administration	\$ (101,443)	\$ -	\$ 3,718	-	\$ (97,725)
Township Hall and Grounds	(12,332)	1,415	-	-	(10,917)
Cemetery	(1,680)	-	-	-	(1,680)
Elections	(1,210)	-	-	-	(1,210)
Fire Protection	(46,535)	-	-	-	(46,535)
Liquor Law Enforcement	(1,450)	-	1,392	-	(58)
Parks and Recreation	(905)	-	-	-	(905)
Planning Commission	(9,717)	-	-	-	(9,717)
Roads and Street Lights	(65,945)	-	1,246	-	(64,699)
Total Governmental Activities	(241,217)	1,415	6,356	-	(233,446)
GENERAL REVENUES					
Property Taxes:					
Levied for General Operations					57,313
Levied for Fire Protection					40,858
Property Tax Administration Fee					14,544
State Revenue Sharing (not restricted to specific purpose)					111,278
Refunds and Reimbursements					1,114
Interest Earnings					4,095
Other					1,235
Total General Revenues					230,437
Change in Net Assets					(3,009)
Net Assets - Beginning of Year					450,549
Net Assets - End of Year					\$ 447,540

See accompanying notes to financial statements.

**TOWNSHIP OF ELMIRA
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2004**

	MAJOR FUND	NON-MAJOR FUND LIQUOR LAW ENFORCEMENT	TOTAL
	GENERAL		
ASSETS			
Cash	\$ 73,758	\$ -	\$ 73,758
Investments	186,411	-	186,411
Delinquent Taxes Receivable	8,878	-	8,878
Due from Other Funds	5,510	-	5,510
	<hr/>	<hr/>	<hr/>
Total Assets	274,557	-	274,557
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Due to Other Governments	3,474	-	3,474
	<hr/>	<hr/>	<hr/>
Fund Equity:			
Fund Balance - Undesignated	271,083	-	271,083
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Equity	\$ 274,557	\$ -	\$ 274,557
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF ELMIRA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2004**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (PER BALANCE SHEET - PAGE 8)	\$ 271,083
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Amounts reported for governmental activities in the Statement of Net
Assets (page 6) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not used in the funds	<u>176,457</u>
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TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF NET ASSETS - PAGE 6)	\$ 447,540
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See accompanying notes to financial statements.

TOWNSHIP OF ELMIRA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2004

	MAJOR FUND	NON-MAJOR FUND LIQUOR LAW ENFORCEMENT	TOTAL
	GENERAL		
REVENUES			
Taxes and Assessments	\$ 98,169	\$ -	\$ 98,169
State Shared	111,278	1,392	112,670
Charges for Services	20,923	-	20,923
Interest	4,095	-	4,095
Other	2,351	-	2,351
Total Revenues	236,816	1,392	238,208
EXPENDITURES			
General Government	123,705	-	123,705
Fire	46,535	-	46,535
Roads and Parks	64,429	-	64,429
Cemetery	1,680	-	1,680
Street Lights	2,421	-	2,421
Liquor Enforcement	-	1,450	1,450
Total Expenditures	238,770	1,450	240,220
Excess (Deficiency) of Revenues Over Expenditures	(1,954)	(58)	(2,012)
OTHER FINANCING SOURCES/(USES)			
Operating Transfers In/(Out)	(58)	58	-
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(2,012)	-	(2,012)
Fund Balance - Beginning of Year	273,095	-	273,095
Fund Balance - End of Year	\$ 271,083	\$ -	\$ 271,083

See accompanying notes to financial statements.

**TOWNSHIP OF ELMIRA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2004**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL ACTIVITIES (PAGE 10)	\$ (2,012)
--	-------------------

Amounts reported for governmental activities in the Statement of
Activities (page 7) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives	5,768
Depreciation expense is recorded in the statement of activities but not the governmental fund financial statements	(6,765)
	<hr/>

CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF ACTIVITIES - PAGE 7)	\$ (3,009)
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See accompanying notes to financial statements.

**TOWNSHIP OF ELMIRA
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2004**

	ASSETS	
Cash		\$ 5,785
		<hr/>
	LIABILITIES	
Due to Other Governments		275
Due to General Fund		5,510
		<hr/>
Total Liabilities		5,785
		<hr/>
	NET ASSETS	
Net Assets Held in Trust for Other Governments		\$ -
		<hr/> <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF ELMIRA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED MARCH 31, 2004**

ADDITIONS	
Taxes, Penalties, and Interest Collected for Elmira Township	\$ 60,609
Taxes, Penalties, and Interest Collected for Other Governmental Units	1,303,911
Total Additions	<u>1,364,520</u>
DEDUCTIONS	
Taxes, Penalties, and Interest Remitted to Elmira Township	60,609
Taxes, Penalties, and Interest Remitted to Other Governmental Units	1,303,911
Total Deductions	<u>1,364,520</u>
Change in Net Assets	<u>-</u>
Net Assets - Beginning of Year	<u>-</u>
Net Assets - End of Year	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

**TOWNSHIP OF ELMIRA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE A: ENTITY

The Township of Elmira is a general law township of the State of Michigan located in Otsego County, Michigan. It operates under an elected board and provides service to its residents in many areas including law enforcement, community enrichment and human services. The criteria established for the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of Elmira Township.

JOINT VENTURE

The Elmira/Warner Fire Authority was created October 1, 2002 by Elmira and Warner Townships under Public Act 57 of 1988, as amended, for the purpose of furnishing fire/rescue services in the Townships. The Authority operates under a separate 5-member board.

Under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", as amended by GASB No. 39 "Determining Whether Certain Organizations are Component Units", the activities of the Fire Authority are not recorded in the Township's financial statements and are audited under separate cover. The only activity reported in the Township's financial statements with respect to fire protection services is the collection of property taxes levied under the name of Elmira Township, and the allocation of the property tax dollars to the Fire Authority.

Audited financial statements for the Elmira/Warner Fire Authority can be obtained at 2035 Mt. Jack Road, Elmira, MI 49730.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Elmira Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

**TOWNSHIP OF ELMIRA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounting policies of Elmira Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2003, the Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities.

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The Township has no business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

**TOWNSHIP OF ELMIRA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION
(CONTINUED)**

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental fund:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

The Township maintains one non-major fund – Liquor Law Enforcement.

Other Funds

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

**TOWNSHIP OF ELMIRA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2003, are recorded as revenue in the current year. The Township's taxable value for the 2003 tax year totaled \$55,305,939.

**TOWNSHIP OF ELMIRA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

The tax rates for the year ended March 31, 2004, were as follows:

PURPOSE	RATE/ASSESSED VALUATION
General	0.7885 mills per \$1,000
Fire Protection	0.7392 mills per \$1,000

BUDGET

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets as adopted end on March 31 of each year. There are no carryover budget items.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25 – 40
Land Improvements	10 – 20
Machinery and equipment	5 – 10
Vehicles	5 – 10

Land and construction in progress are not depreciated.

**TOWNSHIP OF ELMIRA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. Other wise, the cost should be expensed as repair and maintenance.

For information describing capital assets, see Note D.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND
DISCOUNTS/PREMIUMS**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

At this time, the Township has no outstanding long-term debt.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

NOTE C: CASH AND INVESTMENTS

Cash consists of bank accounts and certificates of deposit.

All cash deposits are maintained in financial institutions in Northern Michigan. The Township's deposits are categorized to give an indication of the level of risk assumed by the Township at fiscal year-end. The categories are described as follows:

- Category 1 – Insured or collateralized with securities held by the Township or by its agent in the Township's name.

TOWNSHIP OF ELMIRA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

NOTE C: CASH AND INVESTMENTS (CONTINUED)

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

Category 3 – Uncollateralized.

	BANK BALANCE	1	CATEGORY 2	3	CARRYING AMOUNT
General Chking	\$ 75,205	\$ 75,205	\$ -	\$ -	\$ 73,708
General CD	186,411	108,090	-	78,321	186,411
Petty Cash	-	-	-	-	50
Total	<u>\$ 261,616</u>	<u>\$ 183,295</u>	<u>\$ -</u>	<u>\$ 78,321</u>	<u>\$ 260,169</u>
Trust & Agency	<u>\$ 5,800</u>	<u>\$ 5,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,785</u>

NOTE D: CAPITAL ASSETS

	CAPITAL ASSETS NOT DEPRECIATED	CAPITAL ASSETS DEPRECIATED		
	Land	Buildings	Data Handling Equipment	Totals
Governmental Activities				
<i>Capital Assets</i>				
Balance, April 1, 2003	\$ 78,711	\$ 167,249	\$ 13,625	\$ 259,585
Increases	-	-	5,768	5,768
Decreases	-	-	-	-
Balance, March 31, 2004	<u>78,711</u>	<u>167,249</u>	<u>19,393</u>	<u>265,353</u>
<i>Accumulated Depreciation</i>				
Balance, April 1, 2003	-	74,322	7,809	82,131
Increases	-	4,181	2,584	6,765
Decreases	-	-	-	-
Balance, March 31, 2004	<u>-</u>	<u>78,503</u>	<u>10,393</u>	<u>88,896</u>
<i>Capital Assets, Net</i>	<u>\$ 78,711</u>	<u>\$ 88,746</u>	<u>\$ 9,000</u>	<u>\$ 176,457</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities

Elections	\$ 510
Township Administration	2,074
Buildings and Grounds	4,181
Total	<u>\$ 6,765</u>

**TOWNSHIP OF ELMIRA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE E: DUE TO/FROM OTHER GOVERNMENTAL UNITS

The delinquent taxes due from Otsego County are as follows:

General	\$ 5,404
Fire	<u>3,474</u>
	<u>\$ 8,878</u>

The Fire portion is payable to the Elmira/Warner Fire Authority upon receipt.

NOTE F: FUND BALANCE/NET ASSETS

CALCULATION OF BEGINNING NET ASSETS

The Township adopted GASB Statement No. 34 effective April 1, 2003. The following represents the reconciliation of the Townships fund balance as of April 1, 2003, to its beginning net assets balance, as presented in the Statement of Activities, for the year ended March 31, 2004:

Total Fund Balance, April 1, 2003	\$ 273,095
Record capital assets	259,585
Record accumulated depreciation	(82,131)
Beginning Net Assets, April 1, 2003	<u>\$ 450,549</u>

NOTE G: CONTINGENCIES

INSURANCE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

**TOWNSHIP OF ELMIRA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE H: PENSION PLAN

The Township established a money purchase pension plan covering substantially all of its elected officials and full-time employees. The plan is maintained with Municipal Retirement Systems, Inc.

Total pension expense for the year is \$6,735. Payments made to the plan vest immediately to the participants. The plan provides fully insured pension credits and each year's contribution is sufficient to fully fund the benefits earned during the year. Payments to the plan have been used only to purchase benefits. There are not separate plan assets.

The plan year is based on a July 1 through June 30, fiscal year. Seven Township employees are participants in the plan as of March 31, 2004. The total covered compensation approximated \$55,000. Premiums are adjusted for additions or deletions of covered personnel in the next billing period. The Township contributed 12% to the plan for the plan year ending June 30, 2003. No employees made voluntary contributions to the plan during the year.

NOTE I: LEASE

The Township has leased its fire hall to the Elmira/Warner Fire Authority for \$1. The Township retains ownership and insures the fire hall.

TOWNSHIP OF ELMIRA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2004

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
Taxes and Assessments	\$ 110,800	\$ 110,800	\$ 98,169	\$ (12,631)
State Shared	112,500	112,500	111,278	(1,222)
Charges for Services	17,900	17,900	20,923	3,023
Interest	10,000	10,000	4,095	(5,905)
Other	26,200	26,200	2,351	(23,849)
Total Revenues	277,400	277,400	236,816	(40,584)
EXPENDITURES				
Township Board:				
Salary	3,240	3,240	4,357	(1,117)
Fringe Benefits	90	90	59	31
Office Supplies	300	300	74	226
Professional Services	4,000	4,000	5,838	(1,838)
Legal Services	3,000	3,000	3,507	(507)
Communications	1,000	1,000	1,217	(217)
Travel	100	100	210	(110)
Retirement	950	950	922	28
Community Promotions	1,000	1,000	100	900
Insurance and Bonds	4,500	4,500	7,424	(2,924)
Repairs and Maintenance	100	100	4	96
Special Meetings	3,000	3,000	1,530	1,470
Public Notices	1,100	1,100	1,270	(170)
Miscellaneous	4,000	12,742	2,619	10,123
Equipment	1,000	1,000	5,670	(4,670)
Total Township Board	27,380	36,122	34,801	1,321
Township Supervisor:				
Salary	7,214	7,214	5,009	2,205
Travel	50	50	-	50
Retirement	1,025	1,025	1,042	(17)
Special Meeting	1,500	1,500	1,060	440
Office Supplies	100	100	364	(264)
Total Township Supervisor	9,889	9,889	7,475	2,414
Election:				
Salary	1,150	1,150	631	519
Fringes	45	45	38	7
Office Supplies	300	300	31	269
Total Election	1,495	1,495	700	795

TOWNSHIP OF ELMIRA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2004

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Township Assessor:				
Salary	16,700	16,700	16,813	(113)
Fringes	240	240	244	(4)
Office Supplies	700	700	597	103
Professional Services	2,500	2,500	2,570	(70)
Communications	150	150	75	75
Travel/Mileage	600	600	557	43
Retirement	1,975	1,975	1,939	36
Miscellaneous	200	1,334	1,395	(61)
Total Township Assessor	23,065	24,199	24,190	9
Township Clerk:				
Salary	9,840	9,840	9,840	-
Office Supplies	500	500	474	26
Special Meetings	1,500	1,500	430	1,070
Telephone	100	100	-	100
Fringe Benefits	1,500	1,500	1,372	128
Total Township Clerk	13,440	13,440	12,116	1,324
Board of Review:				
Salary	1,200	1,200	1,250	(50)
Fringe Benefits	100	100	96	4
Miscellaneous	400	457	411	46
Total Board of Review	1,700	1,757	1,757	-
Township Treasurer:				
Salary	15,340	15,340	15,098	242
Fringe Benefits	200	200	261	(61)
Retirement	1,500	1,500	1,468	32
Tax Roll Preparation	1,000	1,690	1,894	(204)
Operating Supplies	2,000	2,000	442	1,558
Travel/Mileage	800	800	327	473
Special Meetings	1,500	1,500	1,450	50
Miscellaneous	100	100	2,208	(2,108)
Total Township Treasurer	22,440	23,130	23,148	(18)
Buildings and Grounds:				
Salary	2,000	2,000	2,740	(740)
Fringe Benefits	150	150	122	28
Professional Services	4,000	4,000	3,141	859
Insurance and Bonds	100	100	113	(13)
Heating Fuel	1,500	1,500	1,660	(160)
Public Utilities	1,150	1,150	1,167	(17)
General Supplies	1,000	1,000	414	586
Capital Outlay	5,000	5,000	-	5,000
Miscellaneous	500	500	444	56
Total Building and Grounds	15,400	15,400	9,801	5,599

TOWNSHIP OF ELMIRA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2004

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Planning Commission:				
Salaries	5,660	5,660	2,365	3,295
Fringe Benefits	300	300	158	142
Professional Services	16,000	16,000	6,770	9,230
Miscellaneous	1,125	1,125	424	701
Total Planning Commission	23,085	23,085	9,717	13,368
Total General Government	137,894	148,517	123,705	24,812
CEMETERY				
Contractual Services	2,000	2,000	1,680	320
FIRE				
Contractual Services	50,000	50,000	46,535	3,465
STREET LIGHTS	3,000	3,000	2,421	579
ROADS				
Contractual Labor	60,000	63,524	63,524	-
PARKS				
Contractual Labor	1,100	1,100	905	195
Total General Fund Expenditures	253,994	268,141	238,770	29,371
Excess (Deficiency) of Revenues over Expenditures	23,406	9,259	(1,954)	(11,213)
OTHER FINANCING USES				
Operating Transfer Out	-	-	(58)	(58)
Excess (Deficiency) of Revenues over Expenditures and Other Uses	23,406	9,259	(2,012)	(11,271)
Fund Balance - Beginning of Year	273,095	273,095	273,095	-
Fund Balance - End of Year	<u>\$ 296,501</u>	<u>\$ 282,354</u>	<u>\$ 271,083</u>	<u>\$ (11,271)</u>